



Scatec

Corporate Governance Report

Scatec ASA

Adopted by the Board of Directors 21 March 2022

Improving our future

Scatec ASA (**Scatec** or the **Company**) has made a strong commitment to ensure trust in the Company and to enhance shareholder value through effective decision-making and transparent communication between the management, the Board of Directors and the shareholders. This report is prepared by the Board of Directors to present the Company's corporate governance structure.

The Company complies with the Norwegian Code of Practice for Corporate Governance (the **Code of Practice**) (available at the Norwegian Corporate Governance Committee's website, www.nues.no) based on the "comply or explain" principle. This report is structured to cover all sections of the Code of Practice and any deviations between the Company's corporate governance and the Code of Practice will be discussed under the relevant section of the report.

1. Implementation and reporting on corporate governance

The Board of Directors is responsible for ensuring that the Company conducts its business using sound corporate governance and to ensure that the Company's standards for corporate governance reflect the Code of Practice.

The principal purpose of the Code of Practice is to ensure (i) that listed companies implement corporate governance practices that regulates the division of responsibilities between the shareholders, the Board of Directors and Executive Management more comprehensively than the legislation requires, and (ii) effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of shareholders, employees and other stakeholders. The Company's framework for corporate governance is intended to fulfil this purpose and thereby decrease business risk, maximise value and utilise the Company's resources in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large.

The overall responsibility for the Company's corporate governance rests with the board, and is implemented through the Board of Directors, the Audit Committee, the Organisation and Remuneration Committee and the ESG Committee.

Scatec's values constitute a key premise for the Company's corporate governance. The key values of the Company are: predictable, driving results, changemakers and working together. These values aim to characterise the behaviour of the Company and the Company's employees and form the basis for the Company's ethical guidelines. The Board of Directors has adopted overarching guidelines for corporate governance, including rules of procedure for the Board of Directors, instructions for the Audit Committee, the Organisation and Remuneration Committee, the ESG Committee respectively, insider manuals, manual on disclosure of information, ethical guidelines and guidelines for corporate social responsibility. The corporate governance framework of the Company is subject to annual reviews and discussions by the Board of Directors.

The Company is subject to the reporting requirements for corporate governance under the Accounting Act section 3-3b and the Euronext Oslo Rule Book II section 4.4, available at www.lovdata.no and www.oslobors.no respectively.

2. Business

The Company is a leading renewable energy solution provider, accelerating access to reliable and affordable clean energy in high emerging markets. As a long-term player, the Company and its subsidiaries develop, build, own and operate renewable energy plants, with 4.6 GW in operations and under construction across four continents today.

The Company's business is defined in the Company's articles of association (the "Articles of Association") section 3:

"The company's business is establishment and operation of business within renewable energy, hereunder investment in companies operating such business."

The Company has adopted and implemented guidelines to ensure it creates value for its shareholders in a sustainable manner into its business and value creation for its shareholders through its sustainability framework and reporting.

The Company's objectives, principal strategies and stakeholder engagement are further described in the Company's annual report, sustainability report and on the Company's website www.scatec.com.

3. Equity and dividends

Capital Structure

The Board of Director's continuously evaluate the capital structure, including equity and liquidity.

At 31 December 2022, the Company's consolidated equity was NOK 8,803 million, which is equivalent to 24% of total assets. The Board of Directors considers this equity level to be satisfactory. The Company's capital structure is continuously considered in light of its objectives, strategy and risk profile. For further description of financial risks, please see the Company's annual report.

Dividend policy

All shares in the Company have equal rights to dividends.

Scatec's dividend policy until February 2023 has been to, over time, pay its shareholders dividends representing minimum 25% of free cash distributed from the producing power plant companies. However, while retaining the Company's objective to pay dividends, the Board of Directors decided that going forward, the Company will target to pay 15% of cash distributions received from operating power plants. The dividend will be assessed annually by the board based on Scatec's capital situation.

Capital increases and issuance of shares

The Board is currently, and until the General Meeting of 2023, but in no event later than 30 June 2023, authorised by the General Meeting to resolve an increase in the Company's share capital, in one or more rounds, by a total of NOK 425,568 through two separate authorisations:

- i) One authorisation which allows for increase in the share capital by a total of up to NOK 397,293. The authorisation was granted by the Annual General Meeting held 29 April 2022 and may be used for the purpose of strengthening the Company's equity and issuing shares as consideration in connection with acquisitions of businesses within the Company's purpose. As per the date of this document, the authorisation mentioned in i) above has not been used.
- ii) A second authorisation which allows for increase in the share capital by a total of up to NOK 28,275. This authorisation was granted by the Annual General Meeting 29 April 2022 and may be used for issuing of shares in connection with the Company's incentive schemes.

Trading in own shares

The Board is currently, and until the Annual General Meeting of 2023, but in no event later than 30 June 2023, authorised by the General Meeting to, in one or more rounds, acquire shares with a total nominal value of up to NOK 722,861 through three separate authorisations:

- i) One authorisation which allows for purchase of shares with a nominal value of up to NOK 397,293. Shares acquired pursuant to this authorisation shall be used in connection with acquisitions, mergers, de-mergers or other transactions.
- ii) A second authorisation which allows for purchase of shares with a nominal value of up to NOK 397,160. Shares acquired pursuant to this authorisation shall be used for investment purposes or for subsequent sale or deletion of the shares.
- iii) A third authorisation which allows for purchase of shares with a nominal value of up to 28,275. Shares acquired pursuant to this authorisation shall be utilised for incentive schemes.

The authorisations to acquire own share are in line with the Company's Corporate Governance policy. None of the authorisations have been used as of the date this document was adopted.

4. Equal treatment of shareholders

Pre-emption rights to subscribe

According to the Norwegian Public Limited Liability Companies Act, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may however be set aside, either by the General Meeting or by the Board of Directors if the General Meeting has granted a Board authorisation which allows for this. Any resolution proposed by the Board to set aside pre-emption rights will be in the common interests of the Company and the shareholders, and the basis for such deviation will be publicly disclosed through a stock exchange notice from the Company.

Trading in own shares

In the event of a future share buy-back programme, the Board of Directors shall ensure that all transactions pursuant to such programme will be carried out either through the trading system at Oslo Børs or at prevailing prices at Oslo Børs. In the event of such programme, the Board of Directors will take the Company's and shareholders' interests into consideration and maintain transparency and equal treatment of all shareholders. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

Guidelines for directors and Executive Management

The Board of Directors has adopted rules of procedures for the Board of Directors which inter alia includes guidelines for notification by members of the Board of Directors and Executive Management if they have any material direct or indirect interest in any transaction entered into by the Company.

5. Shares and negotiability

The Company has one class of shares and all shares carry equal rights in the Company. There are no limitations on a party's ability to own, trade or vote for shares in the Company.

6. General meetings

The Board of Directors will make its best efforts to ensure that the Company's shareholders can participate in the General Meeting. The General Meeting is held digitally, and any shareholder who is not able to participate on the day of the meeting can be represented by proxy or vote in advance.

Notification

The Board of Directors will seek to ensure that the resolutions and supporting information distributed are sufficiently detailed and precise to allow shareholders to form a view on all matters to be considered at the meeting.

Participation and execution

In accordance with the Norwegian Public Liability Companies Act, the Company's Articles of Association requires shareholders to give notice to the Company of their participation at General Meetings within five days prior to the General Meeting.

The Company will aim to prepare and facilitate the use of proxy forms which allows separate voting instructions to be given for each item on the agenda and nominate a person who will be available to vote on behalf of shareholders as their proxy.

To the extent deemed appropriate or necessary, the Board of Directors will seek to arrange for the General Meeting to vote separately on each candidate nominated for election to the Company's corporate bodies.

Explanation for deviation from the Code of Practice in regard to recommendation that all Directors should attend the AGM: It is the intention of the Company that the Chair of the Board and the Chair of the Nomination Committee shall be present at General Meetings. The Company will however, normally not have all Directors attend as the Company believes this is unnecessary. The Chair is represented in all the Board committees and is considered qualified to answers any questions directed to the Board.

The auditor will attend the ordinary General Meeting and any extraordinary General Meetings to the extent required by the agenda items or other relevant circumstances.

External legal counsel will normally be chairing the General Meetings.

7. Nomination Committee

The Nomination Committee is governed by the Articles of Association section 8, and preforms its responsibilities in accordance with the instructions for the Nomination Committee as adopted by the General Meeting. The Nomination Committee consist of two to four members who shall be shareholders or shareholder representatives. The members are elected by the General Meeting for a term of one or two years and can be re-elected. The Nomination Committee gives recommendations to the General Meeting regarding election of members to the Board of Directors and Nomination Committee, and their compensation. The basis for the proposal(s) for each candidate shall be disclosed.

The current members of the Nomination Committee are:

- Kristine Ryssdal (Chairperson) – until 2024
- Svein Høgseth – until 2023
- Mads Holm – until 2023
- Annie Bersagel – until 2023

Their profiles are available at www.scatec.com/investor.

All shareholders are welcome to propose candidates for election on the Company's website, www.scatec.com/investor.

8. Board of Directors: composition and independence

Pursuant to the Articles of Association section 7, the Company's Board of Directors shall consist of three to seven members. The term of office for members of the Board of Directors is two years at a time, with the possibility for re-election.

The Board of Directors currently consists of the following five members:

- John Andersen Jr. (Chairperson) – until 2024
- Jan Skogseth – until 2024
- Maria Moræus Hanssen – until 2024
- Mette Krogsrud – until 2024
- Espen Gundersen - until 2024
- Gisele Marchand – until 2023
- Jørgen Kildahl – until 2023

The Directors are elected for a period of two years, and may be re-elected. The Chairperson of the Board is elected by the General Meeting.

All members of the Board of Directors are considered independent of the Company's Executive Management and material business contracts. Furthermore, Maria Moræus Hanssen, Gisele Marchand, Jan Skogseth, Jørgen Kildahl, Espen Gundersen and Mette Krogsrud are all considered independent of the Company's main shareholders. The Board of Directors does not include executive personnel.

Diversity is a business imperative in the Company. Building a culture that nurtures diversity in all aspects is key to delivering on our goals and foster innovation – key to be changemakers, and the Company aspires diversity in all parts of the organisation, including the Board of Directors. For the Board of Directors, the diversity requirement is implemented in the instructions for the Nomination Committee clause 4.5 a) (ii), which requires the Nomination Committee to ensure that the Board of Directors meets the Company's need for expertise, capacity, and diversity. The Board of Directors currently has 43% female representation, and a diverse professional background with respect to both education and working experience. The committees are appointed by the Board of Directors, considering each Director's professional and personal qualities. Currently, the Committees has a range between 25% - 50% female representation.

The Company's annual report provides information to illustrate the expertise of the members of the Board of Directors and their record of attendance at Board meetings, how long they have been members of the Board, as well as identify which members are considered to be independent.

The Directors are encouraged to own shares in the Company, and are required to invest a minimum of 20% of the gross board remuneration to purchase shares in the Company until they own shares of a value corresponding to one year's gross board remuneration. The shares must be retained for as long as the Board member holds the position. Holdings exceeding one year's board remuneration are not subject to this requirement.

9. The work of the Board of Directors

The rules of procedure for the Board of Directors

The Board of Directors is responsible for the over-all management of the Company and shall supervise the Company's day-to-day management and the Company's activities in general.

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the Board of Directors. In addition, the Board of Directors has adopted supplementary rules of procedures, which provides further regulation on inter alia the duties of the Board of Directors and the Chief Executive Officer, the division of work between the Board of Directors and the Chief Executive Officer, the annual plan for the Board of Directors, notices of Board proceedings, administrative procedures, minutes, Board committees, transactions between the Company and the shareholders and confidentiality.

The Board shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Chief Executive Officer shall at least once a month, by attendance or in writing, inform the Board of Directors about the Company's activities, position and profit trend.

The Board of Directors shall ensure that members of the Board of Directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the Board of Directors.

The Board of Directors' consideration of material matters in which the Chairperson of the Board is, or has been, personally involved, shall be chaired by some other member of the Board.

The Board of Directors shall evaluate its performance and expertise annually and make the evaluation available to the Nomination Committee.

Transactions with close associates

The Board of Directors shall ensure that any non-immaterial transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties are entered into on arms-length terms. For any such transactions which do not require approval by the General Meeting pursuant to the Norwegian Public Limited Liability Companies Act, the Board of Directors shall assess whether a fairness opinion from an independent third party should be obtained. Any such transactions shall be described in the Company's financial statements.

The Audit Committee

The Company's Audit Committee is governed by the Norwegian Public Limited Liability Companies Act and a separate instruction adopted by the Board of Directors. The members of the Audit Committee are appointed by and among the members of the Board of Directors. A majority of the members shall be independent of the Company's Executive Management, and at least one member shall have qualifications within accounting or auditing. Board members who are also members of the Executive Management cannot be members of the Audit Committee. The principal tasks of the Audit Committee are to:

- Prepare the Board of Directors' supervision of the Company's financial reporting process
- Monitor the systems for internal control and risk management including the internal audit of the company to the extent such a function is established
- Continuous contact with the Company's auditor regarding the audit of the annual accounts
- Review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor, or the audit firm represent a threat to the independence of the auditor

The current Audit Committee is composed as follows:

- Gisele Marchand (Chairperson)
- John Andersen Jr.
- Jørgen Kildahl
- Espen Gundersen

The Organisation and Remuneration Committee

The Company's Organisation and Remuneration Committee is governed by a separate instruction adopted by the Board of Directors. The instruction was updated this year. The members of the Organisation and Remuneration Committee are appointed by and among the members of the Board of Directors and shall be independent of the Company's Executive Management. The principal tasks of the Organisation and Remuneration Committee are to prepare:

- Guidelines for remuneration of Executive Management in accordance with the Norwegian Public Limited Liability Companies Act section 6-16 a
- Other matters relating to remuneration and other material employment issues in respect of the Executive Management
- Key performance indicators for organisation/HR in cooperation with the CEO and the EVP People, Strategy & Digital, and based on these indicators review the performance on a regular basis

The current Organisation and Remuneration Committee is composed as follows:

- John Andersen Jr. (Chairperson)
- Jan Skogseth
- Maria Moræus Hanssen
- Mette Krogsrud

The ESG Committee

The ESG Committee consisted of representatives from the administration, and Board of Directors, elected for a period of two years, or until they resign their position as a member of the Committee. The purpose of the ESG Committee is to guide and support the Company's work and commitment towards environmental, social and Governance matters. To elevate the Company's ESG commitments, the responsibilities of the ESG committee will be carried out by the collective Board of Directors from 2023 onwards. The Audit Committee will be responsible for tasks related to ESG reporting and regulations.

Key responsibilities of the Committee included:

- Discuss and advise on the Company's ESG strategy, policies and performance
- Review and monitor annual ESG targets and results
- Review and discuss key ESG strategic decisions and directions
- Discuss current and future ESG risks, regulations and trends relevant to the Company

The 2022 ESG Committee was composed as follows:

- John Andersen Jr. (Chairperson)
- Gisele Marchand
- Jørgen Kildahl
- Espen Gundersen

10. Risk management and internal control

The Board of Directors and internal control

The Board of Directors assesses the Company's risks. Each year, as a minimum, the Board of Directors should have a thorough assessment of the significant parts of the Group's business and outlook, in order to identify risks and potential risks, and remedy any incident that have occurred.

The Board of Directors may engage external expertise if necessary. The objective is to have the best possible basis for, and control of, the Company's situation at any given time.

In addition to the annual risk assessment, the management should present quarterly financial statements that will inform the board and shareholders on current business performance, including risk reports. These reports should be subject to review at the quarterly board meetings.

The financial reporting process

Scatec has a financial reporting and planning policy with associated procedures and tools, owned by the Chief Financial Officer (CFO), which sets out the regulations and procedures for the financial reporting. The internal control of financial reporting is a process designed under the supervision of the CFO to provide reasonable assurance.

The Finance functions are responsible for monthly financial follow-up and reporting across the Group's entities. Foreign subsidiaries and joint ventures have its own finance personnel responsible for applicable reporting. This reporting is reviewed and followed up by the finance staff in Norway.

The monthly financial reporting from the operating entities of Scatec is performed through the Group's reporting system in order to ensure consistent and unified reporting throughout the organisation.

Scatec prepares and presents its financial statements in accordance with International financial reporting standards (IFRS), as adopted by the European Union.

Internal Audit (IA)

The purpose of the Internal Audit function (IA) is to add value and improve Scatec's operations. IA in Scatec is an independent, objective assurance and consulting activity, and accomplishes its purposes by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes. The Director Internal Audit reports functionally to the Chair of the Audit Committee and administratively to the CFO.

The scope of IA activities encompasses, but is not limited to, objective examinations of evidence to provide independent assessments, and improvement recommendations on the adequacy and effectiveness of governance, risk management, and control processes. The Director Internal Audit will report quarterly to the CFO and the Audit Committee on the results of its department and the work IA activity performs.

IA will coordinate its work with the external auditor provider and other internal assurance functions, such as Compliance and Quality. In addition to the Anti-Corruption and Privacy Compliance Programmes, the Compliance function will support and monitor line management to develop and implement internal controls to manage the risk of non-compliance. As part of this, the Compliance function is responsible for incident management (including investigations) and the Whistleblower Channel.

IA will govern itself by adherence to the Chartered Institute of Internal Auditors (IIA) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards).

The Board of Directors' annual review

The Board of Directors aims to undertake a complete annual review of the risk situation, which should be carried out together with the Board of Directors' review of the annual accounts. The auditor should attend this meeting.

The Board of Directors' reporting routines

The Board of Directors should present an in-depth review of the Company's financial status in the annual report.

The Board of Directors will seek to ensure that the Company has sound internal control and systems for risk management, including with respect to its guidelines for how it integrates considerations related to its broader stakeholders into its business and value creation, that are appropriate in relation to the extent and nature of the Company's activities.

11. Remuneration of the Board of Directors

The remuneration of the Board of Directors shall be decided by the Company's General Meeting, and should reflect the Board of Directors' responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration should not be linked to the Company's performance.

The Nomination Committee shall give a recommendation as to the size of the remuneration to the Board of Directors. Pursuant to the instructions for the Nomination Committee, the recommendation should normally be published on the Company's website at least 21 days prior to the General Meeting that will decide on the remuneration. The Company has not granted share options to Board members.

Any remuneration in addition to normal fees to the members of the Board should be specifically identified in the annual report.

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full Board. The remuneration for such additional duties should be approved by the Board of Directors.

12. Remuneration of the Executive Management

The Board of Directors will in accordance with the Norwegian Public Limited Liability Companies Act prepare separate guidelines for the stipulation of salary and other remuneration to key management personnel. The guidelines shall include the main principles applied in determining the salary and other remuneration of the Executive Management and shall ensure convergence of the financial interests of the Executive Management and the shareholders. The guidelines will be published together with the notice of Annual General Meeting.

The Board of Directors aims to ensure that performance-related remuneration of the Executive Management in the form of share options, annual bonus programmes or the like, if used, are linked to value creation for shareholders or the Company's earnings performance over time. Performance-related remuneration should be subject to an absolute limit. Furthermore, the Company aims to ensure that such arrangements are based on quantifiable factors which the employee in question can influence.

More detailed information about the individual remuneration of the chief executive and other executive personnel is provided in the Company's annual report.

13. Information and communications

General

The Board of Directors has adopted a separate manual on disclosure of information, which sets forth the Company's disclosure obligations and procedures. The Board of Directors will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The Company publishes an annual financial calendar, providing an overview of important events such as the Annual General Meeting and publication of financial reports.

Information to shareholders

The Company shall have procedures for establishing discussions with important shareholders to enable the board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All stock exchange announcements, financial reports and presentations, other public presentations and press releases are made available on the company's website www.scatec.com together with other relevant information. All information distributed to the Company's shareholders will be published on the Company's website at the same time as it is sent to shareholders. Scatec holds open presentations in connection with the financial reporting, and these presentations are broadcasted live via webcast.

14. Take-overs

In the event the Company becomes the subject of a take-over offer, the Board of Directors shall seek to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board of Directors shall also seek to ensure that the shareholders have sufficient information and time to assess the offer.

There are no defence mechanisms against take-over bids in the Company's Articles of Association, nor have other measures been implemented to specifically hinder or obstruct the launch of take-over bids for the shares in the Company. The Board of Directors has not established written guiding principles for how it will act in the event of a take-over bid, as such situations are normally characterised by concrete and one-off situations which make a guideline challenging to prepare.

In the event a take-over was to occur, the Board of Directors will consider the relevant recommendations in the Code of Practice and whether the concrete situation entails that the recommendations in the Code of Practice can be complied with or not.

15. Auditor

The Company's external auditor is PricewaterhouseCoopers AS.

The Board of Directors will require the Company's auditor to annually present to the Audit Committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement, as well as the main features of the plan for the audit of the Company.

Furthermore, the Board of Directors will require the auditor to participate in meetings of the Board of Directors that deal with the annual accounts. At least one Board meeting with the auditor shall be held each year in which no member of the Executive Management is present.

The Board of Directors has established guidelines in respect of the use of the auditor by the Executive Management for services other than audit.

The remuneration to the auditor will be approved by the ordinary General Meeting. The Board of Directors will report to the General Meeting details of fees for audit work and any fees for other assignments.



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